

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 496 - SB 897

March 29, 2021

**SUMMARY OF ORIGINAL BILL:** Clarifies that the tax year for the occupational privilege tax begins on June 1 of each year, ends on May 31 of the following year, and is due and payable on June 1 of each year.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (006093):** Deletes all language after the enacting clause. Reallocates the annual amount above the current cap of state and local tax revenue that may be distributed to premier type tourist resort municipalities as follows:

- 50 percent to the county in which the municipality is located, for educational purposes.
- 25 percent to municipality where the sale occurs.
- 25 percent to the General Fund.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue – Exceeds \$1,048,100/FY21-22 and Subsequent Years**

**Decrease Local Revenue – Exceeds \$1,048,100/FY21-22 and Subsequent Years/  
Pigeon Forge and Gatlinburg**

**Increase Local Revenue – Exceeds \$2,096,300/FY21-22 and Subsequent Years/  
Sevier County**

**Other Fiscal Impact – Passage of this legislation will continue an altered version of the previous allocation of state sales tax revenue to the local municipality and county governments of the premier type tourist resorts, in an amount estimated to exceed \$3,144,400 per year beginning in FY21-22.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), 4.603 percent of state sales and use tax revenue collections are to be distributed to municipalities statewide based on population.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(i), a municipality, collecting at least 40 percent of its sales tax revenue from hotels, motels, tourist courts accommodation,

tourist shops and restaurants may elect to become a premier type tourist resort and receive 4.603 percent of the tax actually collected by dealers within the boundaries of such resort.

- Currently, both Gatlinburg and Pigeon Forge are the only premier type tourist resorts.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(ii) and (iii), in addition to the aforementioned section, a municipality electing such resort status, which also contains within its boundaries a golf course and ski slope, or a theme park of not less than 80 acres shall receive an additional 4.603 percent allocation equal to the tax actually collected by dealers within the boundaries of such resort. Gatlinburg and Pigeon Forge qualify for such additional distributions.
- Finally, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(iv)(a) and (b), Gatlinburg shall also receive 90 percent of the amount distributed in FY86-87 pursuant to the 4.603 percent allocation, and Pigeon Forge shall also receive 96 percent of the amount distributed in FY86-87 pursuant to the 4.603 percent allocation.
- However, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(v), the collective amounts paid pursuant to the aforementioned distributions are capped to the collective amounts paid under such subdivisions for FY99-00.
- Public Chapter 390 of the Public Acts of 2017 (P.C. 390) removed the cap on the annual amount of state and local tax revenue that may be distributed to Gatlinburg and Pigeon Forge for FY17-18 through FY20-21.
- This proposed legislation will continue such special allocations, with new alterations, indefinitely.
- However, in the absence of this legislation, the amount of state sales and use tax revenue that would be allocated to Gatlinburg and Pigeon Forge for FY21-22 would again be capped at an amount estimated to be \$5,549,011.
- If such cap were lifted permanently as proposed by this legislation, it is estimated that Gatlinburg and Pigeon Forge would be allocated a total of \$9,741,560 for FY21-22.
- Gatlinburg and Pigeon Forge will continue to receive a special allocation of state sales tax revenue, now estimated to exceed \$4,192,548 (\$9,741,560 - \$5,549,011) per year beginning in FY21-22.
- Based on the proposed legislation, the breakdown of the funds will be as follows: 50 percent to Sevier County, or \$2,096,274 (\$4,192,548 x 50%) for education purposes, 25 percent to the cities, or \$1,048,137 (\$4,192,548 x 25%) to local municipalities, and 25 percent to the General Fund, or a recurring increase in state revenue exceeding \$1,048,137 (\$4,192,548 x 25%).
- Because this amount would have previously been fully accounted to the locals, the estimated recurring decrease in local revenue would be \$1,048,137 [\$4,192,548 – (\$2,096,274 + \$1,048,137)].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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